

## **PBR Life Subgroup**

This group spent a lot of time discussing ways to ameliorate unintended results of exclusion tests related to the Net Premium Method.

ACLI expanded on its remarks from yesterday's call of the PBR Working Group of Commissioners. Policies can shift year-to-year from defaulting to current CRVM to having to calculate stochastic reserves and vice versa, creating unpredictability and administrative headaches.

ACLI proposed that once a block of policies passes or fails the tests, it is never retested. One regulator did not see a problem with annual retesting and letting the chips fall where they may. The subgroup did not take a vote on any proposal.

On the only other issue covered, the group considered competing amendments from NY and ACLI for the treatment of non-guaranteed elements (NGE) not arising from policy experience. ACLI cited as an example a gain on the sale of a subsidiary which the company decides to distribute wholly or in part to policyholders via NGEs.

NY wants all such NGEs included in cash flows. ACLI would give companies the option of excluding such NGEs, subject to Board approval, arguing that inclusion raises reserves unnecessarily.

The subgroup passed ACLI's proposal. However, there were only four subgroup members on the call, and since the Chairman did not vote, the result was 2-1, a tenuous victory for ACLI that the entire LHATF must still ratify.

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